



LEGISLATIVE FISCAL OFFICE
Streamlining Commission Analysis

Recommendation No. **RECOMMENDATION 207**
Streamlining Draft **AGEB 42**

Date: December 10, 2009 3:10 PM	Author:
Dept./Agy.: Education	
Subject: Louisiana New Start Education Tax Credit Program	Analyst: Mary Kathryn Drago

The Streamlining Commission recommends the governor and the legislature support and pass the Louisiana New Start Education Tax Credit Program which would (a) provide a \$4,000 refundable state income tax credit per child to parents who have a child attending a Louisiana public school that is deemed to be “academically unacceptable” by the Louisiana Department of Education and who assume the cost of their child’s education in a private or parochial school in Louisiana, and (b) provide a \$4,000 state income tax credit to any Louisiana taxpayer that donates \$4,000 to a nonprofit, scholarship-granting organization recognized by the Louisiana Department of Education which, in turn, uses the money to provide scholarships to families of children who are attending “academically unacceptable” schools in Louisiana and who elect instead to send their children to a private or parochial school in Louisiana.

EXPENDITURES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2010-11	2011-12	2012-13	2013-14	2014-15	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION
To the extent that students transfer to private schools, state expenditures through the MFP could decrease. On average any student leaving the public system would decrease the required cost by \$5,031 (the FY 10 state average MFP per pupil amount). Students that transfer from an academically unacceptable school could potentially save the state \$1,031 per student (\$5,031 state average MFP - \$4,000 tax credit). However, students that are entering pre-K or K for the first time and are eligible to participate in the program would not be counted in the current MFP, therefore, there would not be a savings related to these students.

REVENUE EXPLANATION
To the extent that individuals or corporations make donations to nonprofit, scholarship-granting organizations and file for a tax credit, state revenues will decrease. Based upon data obtained by the Department of Education, there are 111 schools deemed “academically unacceptable”. The total enrollment in those schools is 30,996. For illustrative purposes, if 10% of those students (3,100) move to a private school and their parents file for a tax credit, state revenues will decrease by \$12.4 million. The credit is also available to any Louisiana taxpayer that donates \$4,000 to a scholarship granting organization. The credit could be taken by individuals or corporations. According to the Department of Revenue, there are approximately 100,000 corporations. If individuals and corporations make donations, revenues could decrease significantly.

Note: There are a few states that allow somewhat similar tax credits. Arizona has allowed individual taxpayers to take a credit of \$500 for single filers, and \$1,000 for married filing jointly. In the first year of the credit a total of 4,248 filers donated an average of \$427 each (for a total of \$1.8 million). By the second year 32,023 filers donated an average of \$430 each for a total of \$13.8 million. The program has grown to over 76,000 filers donating a total of \$54.2 million.

There are also several states that allow tax credit for corporations. Florida has a large program, but they also allow a credit of up to 75% of the corporation’s tax liability up to \$5 million with an aggregate cap of \$118 million. Pennsylvania has provided a tax credit to corporations since 2001-02. A total of \$376 million in tax credits have been approved for over 14,000 claims since the inception of their program. Arizona has a fairly new program that allows a dollar-for-dollar tax credit, and in the first year over \$6 million in credits were claimed. While other states have programs with differences from what is proposed by this bill, they can be used as an example to provide a picture of what Louisiana may expect in terms of revenue decreases from this bill.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	H. Gordon Monk Legislative Fiscal Officer